

NEW APPLICATION  
**Hitchcock, Hicks & Conlogue**

CHRISTOPHER HITCHCOCK  
PERRY L. HICKS  
JAMES L. CONLOGUE  
TELEPHONE (520) 432-2279/432-5305  
TELECOPIER (520) 432-5152

ATTORNEYS AT LAW  
COPPER QUEEN PLAZA  
P.O. BOX 87  
BISBEE, ARIZONA 85603-0087



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SUTTER, ROCHE & GENTRY .....1928  
GENTRY & GENTRY .....1949  
GENTRY, McNULTY & KIMBLE .....1955  
GENTRY, McNULTY & DESENS .....1979  
DESENS & HITCHCOCK .....1986

September 11, 1998

DOCKET NO. E -01575A -98 -0510

Docket Control  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, AZ 85007

Re: Sulphur Springs Valley Electric Cooperative, Inc.  
Report on benefits for Standard Offer customers

Dear Sir/Madam:

Enclosed herewith for filing with the Arizona Corporation Commission is an original plus ten copies of Sulphur Springs Valley Electric Cooperative, Inc.'s Report, pursuant to R14-2-1604 C, detailing possible mechanisms to provide benefits to Standard Offer customers.

Sincerely,

HITCHCOCK, HICKS & CONLOGUE

By

  
Christopher Hitchcock

CH:lmr

Enclosures

cc: Director, Utilities Division  
Legal Division

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LAW OFFICES OF FRED SUTTER ..... 1913  
SUTTER, ROCHE & GENTRY ..... 1928  
GENTRY & GENTRY ..... 1949  
GENTRY, McNULTY & KIMBLE ..... 1955  
GENTRY, McNULTY & DESENS ..... 1979  
DESENS & HITCHCOCK ..... 1986

September 11, 1998

Ray Williamson  
Director, Utilities Division  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ

DOCKET NO. E - 01575 A - 98 - 0510

Re: Sulphur Springs Valley Electric Cooperative, Inc

Dear Mr. Williamson:

Pursuant to R14-2-1604 C, Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) hereby submits its report regarding mechanisms to provide benefits to Standard Offer Customers.

Introduction

SSVEC is a non-profit, distribution cooperative that provides service to over 33,000 customers in southeastern Arizona. Because we are a cooperative, our customers are our owners. We own no generation facilities and purchase all of our power requirements from Arizona Electric Power Cooperative, Inc. (AEPCO). AEPCO is also a non-profit cooperative and members of SSVEC's Board of Directors sit on the board of AEPCO. In many ways SSVEC and the other AEPCO members have served as load aggregators on behalf of the member/consumers of the distribution cooperatives. The distribution cooperatives aggregate the end-users' loads and AEPCO aggregates the loads of the distribution cooperatives. AEPCO was formed by the distribution cooperatives to obtain power supplies on a cost-effective basis.

Specific Programs

The advent of competition has caused the entire utility industry to examine the way we conduct business and seek opportunities to reduce the cost of energy delivered to customers. SSVEC is always reviewing our operations and examining cost savings opportunities. As a

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member owned entity, our goal is to provide the lowest cost energy delivered to our customers.


SSVEC has undertaken several important steps recently that will result in long term benefits to Standard Offer customers. We have begun an effort to reduce our operations and maintenance expenses through a voluntary severance plan. When complete, the voluntary severance plan will reduce our operating expenses and revenue requirements. We are also instituting several changes in accounting practices that will result in lower revenue requirements. For example, we are currently completing a depreciation study that we believe will decrease the annual depreciation charges. These expense reductions and other changes will be reflected in our next cost of service study and rate filing. SSVEC hopes to provide its members with rate reductions in the range contemplated by the Rules.

Another benefit that Standard Offer customers will receive is the positive efforts that SSVEC has made in conjunction with AEPCO in lowering the cost of power supplies. Power supply costs account for approximately 60% of SSVEC's cost of providing electric service. Working with AEPCO, we have developed several demand side management programs and rate alternatives, such as interruptible service rates, that we will continue to offer to our Standard Offer customers. Our average wholesale power costs have declined as AEPCO undertook cost savings measures in a time period when other utilities' power supply costs have not done so. The SSVEC Board of Directors, management staff, and our representatives on the AEPCO board of directors are currently working on an innovative plan for re-structuring AEPCO to better enable AEPCO to compete in the evolving energy market place.

Thank you for this opportunity to inform the Commission of SSVEC's efforts to bring tangible benefits to its customer-owners.

Sincerely,

HITCHCOCK, HICKS AND CONLOGUE



By Christopher Hitchcock